

**DRAFT**

**AGENDA ITEM #4118**

**WATER/SNR/PTL/HJL:jlj**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**WATER DIVISION  
Water Branch**

**RESOLUTION NO. W-4515  
December 16, 2004**

**RESOLUTION**

**(RES. W-4515), SAN JOSE WATER COMPANY (SJWC). ORDER  
AUTHORIZING A TRUE-UP RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUES OF \$4,968,289 OR 2.96% TO  
RECOVER THE DIFFERENCE BETWEEN REVENUES  
AUTHORIZED BY DECISION NOS. (D.) 03-12-007 AND D.04-08-054.**

**SUMMARY**

By Advice Letter (AL) No. 351, filed November 8, 2004, SJWC seeks a revision of tariff Schedule No. 1, General Metered Service, and Schedule No. 1B, General Metered Service with Automatic Fire Sprinkler System, to provide for a surcharge to recover the difference in revenue between interim rates authorized by D.03-12-007 and final rates authorized by D.04-08-054. This resolution grants SJWC's request for authority to increase rates producing an increase in annual revenues of \$4,968,289 or 2.96% of SJWC's authorized revenue for 2005. The revenue true-up surcharge increase will not result in a change in this utility's current rate of return.

**BACKGROUND**

SJWC serves approximately 212,196-metered customers in the city of San Jose, and vicinity in the County of Santa Clara. The present rates for SJWC became effective August 24, 2004, by D.04-08-054.

SJWC requests authority pursuant to D.04-08-054.

**DISCUSSION**

SJWC filed its General Rate Case application, A.03-05-035, for test years 2004, 2005, and attrition year 2006 on May 23, 2003. On December 3, 2003, the

Commission issued Interim D.03-12-007, pending a final decision in the General Rate Case proceeding. The interim decision granted SJWC's request for interim rates effective January 1, 2004, based on the provisions of PU Code Section 455.5 using the published projected inflation rate for 2004, subject to refund, pending the final rates to be adopted by the Commission in SJWC's general rate case proceeding. SJWC's AL 344 requesting implementation of a 2.04% interim rate increase was calculated using the *"Consumer Price Index for All Urban Consumers (CPI-U) US City Average"*. Subsequently, on August 19, 2004, the Commission issued D.04-08-054, the final decision in SJWC's General Rate Case proceeding, with rates becoming effective August 24, 2004. Ordering Paragraph No. 7 of the Commission's Decision No. 04-08-054 states:

*"SJWC is authorized to file an Advice Letter, as soon as recorded information for the period January 1, 2004 to the effective date of new rates is available, to implement a surcharge to recover the difference between revenues authorized by this decision and interim rate revenues. The surcharge shall be calculated based upon the rate differential between the interim rates authorized for SJWC as of January 1, 2004 and the final rates ultimately adopted in this decision, and shall use actual recorded sales and actual recorded customer numbers by meter size in the calculation of such surcharge."*

SJWC has determined the difference between the rates authorized by D.04-08-054 and the interim rates authorized by D.03-12-007/AL 344 for the period January 1, 2004 through August 23, 2004. The total revenue shortfall is then calculated using recorded customer and usage information for that period. The total calculated revenue shortfall is \$4,968,289, or about 2.96% of SJWC's authorized revenue for 2005. Since the revenue recovery is less than 5% of authorized revenue, SJWC is requesting to recover the \$4,968,289 in a twelve-month surcharge of \$0.0796 per Ccf (One Ccf is equal to one hundred cubic feet) applied to the quantity rate. As a result of this surcharge, the bill for the average residential customer using 15 Ccf per month will be an increase of \$1.20 per month, or approximately 2.87%.

SJWC has also requested the removal of a special tariff condition to amortize the balance in the Water Contamination Litigation Memorandum Account. The one time surcharge of \$0.33 authorized in D.04-08-054 became effective August 24, 2004. The surcharge has been collected and the special tariff condition is no longer applicable.

Service by SJWC is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action. SJWC current rates became effective pursuant to Commission D.04-08-054, dated

August 19, 2004. Currently SJWC has AL No. 350 pending before the Commission. AL No. 350 is a request to implement the step rate increase authorized by D.04-08-054 for January 1, 2005. SJWC has proposed that the surcharge requested in this Advice Letter becomes effective January 1, 2005, concurrent with the step rate increase currently pending before the Commission.

### **NOTICE AND PROTESTS**

Further notice of this filing is not required. SJWC has provided public notice with the original General Rate Case filing by direct mailing to the individual customers and by publishing in a local newspaper of wide circulation in the San Jose area as evidenced by a Proof of Publication provided to the Water Branch by the utility.

No protests have been received.

### **FINDINGS**

1. Effective January 1, 2004, SJWC increased its rates on an interim basis by 2.04% pursuant to Decision 03-12-007.
2. The Commission issued Decision 04-08-054, the final decision in SJWC General Rated Case proceeding with rates becoming effective on August 24, 2004.
3. SJWC has calculated the difference between the rates authorized by Decision 04-08-054 and the interim rates authorized by Decision 03-12-007 (AL 344) for the period from January 1, 2004 and August 23, 2004, using recorded customers and usage information.
4. SJWC has requested a twelve-month surcharge to recover the calculated shortfall of \$4,968,289 or 2.96% of authorized revenue for test year 2005.
5. SJWC is entitled to recovery of the shortfall in revenue for the period of January 1, 2004 to August 23, 2004, pursuant to Commission Decision 04-08-054, Ordering Paragraph 7, dated August 19, 2004.
6. The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.
7. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311 (g)(3).

**THEREFORE IT IS ORDERED THAT:**

1. San Jose Water Company is authorized, to make effective revised Schedule No. 1, General Metered Service, attached to Advice Letter No. 351, and to cancel the corresponding presently effective rate schedule. The effective date of the revised rate schedule shall be January 1, 2005.
2. This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on December 16, 2004; the following Commissioners approved it:

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STEVE LARSON  
Executive Director